

**FairPoint Cutover Monitoring
Status Report
The Liberty Consulting Group
January 14, 2009**

Introduction

At the end of January 30, 2009, FairPoint Communications Inc. (“FairPoint”) is scheduled to “cutover” from the Verizon Communications Inc. (“Verizon”) systems to new operations support systems developed for FairPoint by Capgemini. FairPoint has been using the Verizon systems to support its operations since assuming ownership of the Verizon wireline business in northern New England on March 31, 2008. By agreement with Verizon, FairPoint is required to issue an irrevocable notice of cutover readiness at least 60 days prior to the cutover date and did so on November 28, 2008.

Beginning in October 2007, the Liberty Consulting Group has been monitoring FairPoint’s cutover preparations and cutover readiness on behalf of the staffs of the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Department of Public Service (“Staffs”). After the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Public Service Board (“Commissions”) held hearings in November 2008 to review FairPoint’s readiness to cutover, none of the three Commissions prevented FairPoint from formally issuing an irrevocable notice of readiness to cutover in January, but all placed certain additional requirements on FairPoint, including a requirement for continued monitoring by Liberty through cutover and for a period thereafter. Liberty’s continued monitoring has been focused on

- The status of the cutover readiness criteria that FairPoint had not fully satisfied by the time of the November 2008 Commission hearings in the areas of wholesale testing, business process documentation, and training
- The status of other cutover-related matters which were raised during the Commissions’ hearings, including Verizon data extract validation, and temporary staffing and provisioning intervals during and immediately after cutover
- FairPoint’s overall cutover preparations.

Liberty has been releasing monthly reports since December 2007 to provide information to the Staffs and Commissions on the status of cutover. The present report is the last full monthly report before cutover. At the request of the Vermont Public Service Board, Liberty prepared a special interim report dated January 6, 2009, which focused on only two issues: (1) data extraction and conversion and (2) FairPoint employee training. The present report contains a shortened version of the information provided in the January 6 report with some updates to its observations and conclusions, and provides information on the status of the other cutover-related matters Liberty has been tracking.

Overview of Recent Monitoring Activities

Since the last monitoring report issued December 15, 2008, Liberty provided a status update and answered questions during a December 19 Vermont Public Service Board workshop. Liberty also attended the December 17 FairPoint Wholesale User Forum via Webex. Liberty continues to receive updates on cutover progress from FairPoint, and Liberty has communicated regularly with the Staffs.

Cutover Preparation Status

1. Wholesale Issues

In the December 15, 2008 monitoring report, Liberty noted that FairPoint had resolved a number of issues that were still open at the time of the Commissions' hearings. The following matters unique to wholesale customers still remained open at the time of that report:

- The status of testing the Daily Usage Feed ("DUF") files that all wholesale carriers, including competitive local exchange carriers ("CLECs"), independent local exchange carriers ("ILECs"), interexchange carriers, and wireless carriers need for customer billing and intercarrier compensation
- The completion and implementation of a process for distributing line-loss data automatically
- The implementation of a process to resolve within five days any additional wholesale defects that are uncovered during operations after cutover
- The need for FairPoint to provide time for training CLECs in the use of FairPoint's new wholesale interface prior to cutover.

Although at the time of the December 15 monitoring report, FairPoint believed that the remaining DUF testing could be completed by the end of December, Liberty finds that DUF testing is still incomplete. FairPoint has been sending test DUF files to 83 carriers requiring DUF files.¹ In most cases, FairPoint has been sending multiple DUF files to a single carrier, representing different types of DUF extracts that apply to the carrier.² As of the latest data Liberty received from FairPoint on January 7, FairPoint had completed testing with 28 carriers and received approval from these 28 carriers that the combined total of 115 different DUF files for these carriers are satisfactory. Testing continued with 55 carriers. Of the 178 files sent to these 55 carriers, FairPoint had received approval on 23 files, received feedback and was working on correcting 133 files, and was awaiting feedback on the remaining 22 files. Overall, of the total of 293 different test DUF files that FairPoint has provided to all 83 carriers, FairPoint had received approval for 137 (47

¹ In past reports, Liberty noted the number of carriers requiring DUF files to be 92. However, Liberty notes that there is some ambiguity in the definition of a "carrier" because of different names under which a single company may do business. The number quoted here is based on FairPoint's designation of the carriers in its current internal reporting of the DUF testing status.

² For example, a carrier may operate in more than one of the three states, may provide both UNE and resale, and may need operator services and directory assistance usage. These different usage types are provided on different DUF files.

percent), received feedback and was working on 133 (45 percent), and was awaiting feedback on 22 (8 percent).

It is clear that a significant amount of DUF testing remains. However, Liberty notes that the rate at which the issues have been resolved has increased significantly since mid-December. As of December 23, only 8 percent of the DUF files had been approved and FairPoint was awaiting feed back on 59 percent of the files it had provided to the carriers for review. FairPoint has explained to Liberty that one reason for this improvement is that FairPoint has been more diligent recently in contracting the carriers to seek prompt feedback. Since FairPoint made an arrangement with Verizon in mid-December to be able to create DUF files using polled usage data from all the switches in the FairPoint northern New England network, FairPoint has also been able to create test DUF files more readily. In addition, most of the remaining open issues with the DUF files appear to be relatively straightforward to resolve. FairPoint has informed Liberty that work on the DUF issues with the carriers will continue through the end of January and that this effort will not be curtailed by cutover preparations. However, Liberty concludes that unless there is dramatic progress soon in DUF testing, it is likely by the time of cutover that some DUF files will be in a form that will not allow the carriers affected to fully process the data automatically.

Liberty has the following updates on the remaining open wholesale issues:

- FairPoint has developed a process for automatically providing line-loss information to CLECs. FairPoint plans to test this process with volunteer CLECs in mid-January.
- FairPoint announced on December 24 the availability of additional training sessions for CLECs during January. These began on January 6 and will continue through January 27.

2. Business Process Documentation.

In the December monitoring report, Liberty noted that FairPoint was proceeding well with completing key business process documentation and was effectively addressing the remaining flaws in its documentation of the key business processes through continuing internal review and business process improvement. FairPoint continues to update Liberty on the status of business process documentation. Since December 1, FairPoint has modified or created 166 business process documents. FairPoint now has a total of 1085 business processes documented. Liberty finds that the status of FairPoint's business process documentation continues to be satisfactory.

3. Training.

In the December monitoring report, Liberty concluded that FairPoint was completing the training courses on schedule and its progress in completing the remaining training material was generally consistent with the training schedule. However, Liberty was still waiting for information from FairPoint on student proficiency measures for those course sessions that have been completed.

Since the time of the December report, FairPoint has continued to provide updates to Liberty on the status of training. As of January 12, FairPoint reported that it had completed 129 of approximately 400 planned training sessions. The remaining training sessions are scheduled to complete before the FairPoint systems become available after cutover in early February. In almost all cases, FairPoint has been completing the training material on time for these courses, and the courses have been completed on schedule. In addition, the schedule for completing the training material for the remaining courses appears to be sufficient to continue to meet the training schedule.

In addition, FairPoint has now provided to Liberty some information on the success of the completed courses. This information consists of two measures: (1) informal assessment by the instructors of the students' mastery of the material and (2) ratings by the students of the courses. The instructors of the courses observe the students as they complete exercises and are asked to determine whether any students need to retake the training sessions or portions of the sessions. To date, no students have been identified as needing to retake any of the sessions attended. The student ratings of the courses that have been taught so far have also been generally positive. Most students indicate that the courses are providing useful training. Although these assessments are more qualitative than what Liberty had originally envisioned the measures of course success provided by FairPoint would be, Liberty concludes that the measures are sufficient to indicate any major problems with the courses, the instructors, or the course material. It does not appear that such problems currently exist.

4. Data Extract Validation and Data Conversion Preparation.

There are two main components to a successful transfer of data from Verizon's to FairPoint's systems, one of which is the primary responsibility of Verizon and the second of which is the primary responsibility of FairPoint and its systems vendor, Capgemini. First, Verizon must execute a complete and accurate extraction of the data from its systems and transmit that data to FairPoint. Second, FairPoint and Capgemini must accurately interpret the data received from Verizon, successfully convert that data into the format required by FairPoint's new operations support systems, and then successfully load the converted data into FairPoint's systems. A failure in either of these two components can lead to an incomplete or inaccurate set of data residing in FairPoint's new systems after cutover.

Liberty's monitoring of the data extraction and conversion process has been limited to the second of these components: the actions taken by Capgemini and FairPoint after Verizon extracts and transfers the data. However, in the December monitoring report, Liberty noted that FairPoint had provided Liberty a description of the different methods it is using to test the completeness and accuracy of the Verizon data extracts, but that Liberty was waiting for additional information from FairPoint about these methods and the results of these internal tests. Liberty has now received this additional information and believes that FairPoint's testing is adequate to reveal any substantial problems with the Verizon data extraction process.

As Liberty noted in the January 6 interim report to the Vermont Public Service Board, FairPoint and Capgemini have been taking a number of steps to prepare for the data receipt and conversion process that will be required at cutover:

- i. Automated Data Conversion Programs. Capgemini has been developing and testing automated data conversion programs, which they will use to convert the data that Verizon provides. As Liberty has reported in previous monthly reports, Capgemini's testing of these programs has been successful. A few defects are still outstanding, but these defects are minor and Capgemini has developed manual processes for converting the relatively small amount of the data that would be affected by these defects at cutover.
- ii. Test Data Extracts. FairPoint has received a series of tests or "dry runs" of the data extracts from Verizon, which FairPoint is using not only to test the process for and the timing of the extraction, transmission, conversion, and loading of the data but also to test the newly developed operations support systems. Capgemini is currently conducting tests using the third and fourth of these test data extracts, which Verizon provided in September/October and December 2008, respectively. FairPoint, Capgemini, and Verizon have been working closely to resolve issues as they arise, both from processing the dry run data and from the other analysis methods noted below, through frequent conference calls, held weekly after the first two dry runs and now held daily beginning with the third dry run.

One method FairPoint and Capgemini use to test the completeness of the Verizon extracted data is to compare record counts received across the various test data extracts. Another method is to compare the test data extracts across multiple data sources. FairPoint and Capgemini also check for evidence of missing files, file corruption, and lack of conformance with file naming conventions and layout specifications. More subtle errors are detected through failures in the automated data conversion programs, but there can be multiple reasons for these failures, including not only errors in the data extraction process but also errors in interpretation and data processing by Capgemini and FairPoint.

- iii. Comparison to Live Verizon Data. Since the close of the transaction with Verizon on March 31, 2008, FairPoint has had access to the data in the Verizon operations support systems. FairPoint has been using this access to compare data received from the test data extracts with the data in the live systems. Because the data is dynamic, the comparison cannot be perfect, but this process does allow FairPoint to cross-check the data in the test Verizon data extracts for completeness and accuracy.
- iv. Shakeout Testing. FairPoint and Capgemini are running a series of "shakeout" tests on the Verizon data extracts after they are loaded into the FairPoint operational support systems. The purpose of these shakeout tests is to quickly identify significant gaps in the data received from Verizon. In addition, FairPoint

is executing a set of business simulations, which not only provide further tests of the operational support systems but also help to identify missing data elements in the test data extracts. FairPoint and Capgemini will be running the shakeout tests and business simulations at cutover as a way to quickly identify any data extraction and conversion problems, so that they can alert Verizon about the problems and work with Verizon to resolve them

- v. Flowthrough Simulations. Capgemini has begun simulating the level of “flowthrough” in FairPoint’s operations support systems, based on the test data extracts from Verizon. The principal way in which incomplete or inaccurate data will affect customer service and other aspects of FairPoint’s operations after cutover is through unexpected failures in automated processing of transactions (such as ordering and provisioning, repair handling, and billing) and consequent “fallout” for manual handling of these transactions. Such fallout will not only delay the completion of the transactions but will also require additional FairPoint employee hours to complete them and increase the likelihood of transaction errors resulting from manual processing.

FairPoint has noted that its operations support systems are designed to achieve approximately a 90 percent flowthrough level. However, errors or gaps in the converted data at cutover, among other causes, can lead to additional fallout beyond this design level. Therefore, FairPoint has based the planning for temporary staffing during and after cutover on an assumption that the flowthrough level immediately after cutover will be only 60 percent. To test this assumption, FairPoint is running a representative sample of retail and wholesale transactions through the FairPoint operations support systems after they have been loaded with data extracted from Verizon and checking whether the transactions experience unplanned fallout.

Liberty has examined data and other information received from FairPoint on these analyses and tests. Based on analysis of this information and discussions with FairPoint, Liberty has drawn the following conclusions about the likely completeness and accuracy of Verizon’s data extraction:

- Liberty believes, based on the information FairPoint has reported, that the different techniques FairPoint and Capgemini have used to examine the test data extracts should be sufficient to reveal any major gaps in data from the key Verizon data sources.
- The process FairPoint, Capgemini, and Verizon are using to resolve data extract issues appears to be working well. Most issues are resolved fairly quickly.
- It is not always easy to determine whether a data problem results from data extraction and delivery by Verizon or data conversion and loading by Capgemini and FairPoint. The root cause of the errors can often only be determined through extensive analysis and discussions among Capgemini, FairPoint, and Verizon.
- Through their analyses, FairPoint and Capgemini continue to identify some issues in the test data extraction and conversion dry runs. However, the number of issues

- has decreased significantly, and most are relatively minor or can be resolved quickly if they occur at cutover.
- FairPoint and Capgemini are continuing to identify data errors and gaps that are inherent in Verizon's source systems rather than a result of Verizon extraction or transmission errors. When possible, FairPoint is correcting these errors through its access to the Verizon systems, but some errors and gaps will remain at cutover. FairPoint and Capgemini are creating routines to correct known remaining problems with the Verizon source data immediately after cutover.
 - Despite the dry runs and other testing, some manual processing of the Verizon extract data by Capgemini and FairPoint will be required after cutover. However, given the extensive testing that FairPoint and Capgemini have done, Liberty believes that the extent of these unexpected problems will be manageable.
 - FairPoint's simulated flowthrough testing is still in progress, but the results so far indicate that FairPoint is likely to achieve a flowthrough rate that is greater than the 60 percent rate FairPoint has used for determining the required temporary staffing for cutover. The flowthrough testing is also helping to uncover data issues which are being fixed either through enhancing the data conversion process or through correcting the existing data in the Verizon systems.

5. Provisioning Intervals and Temporary Cutover Staffing.

Although FairPoint has been hiring temporary employees and redeploying existing employees in order to address unexpected issues that may arise as a result of cutover and to process the backlog of wholesale and retail orders that will build up during this period,³ FairPoint projects that the provisioning intervals will be significantly lengthened during the cutover period and for several weeks after cutover. Liberty has been working with the staffs of the Maine and New Hampshire Public Utilities Commissions to obtain information in order to assess the adequacy of FairPoint's temporary staffing and preparations to minimize the post-cutover provisioning intervals. In the December monitoring report, Liberty noted that it was still seeking answers to additional questions in order to assess the information provided by FairPoint on temporary staffing and provisioning intervals.

Since the time of the December monitoring report, Liberty has received additional information from FairPoint on the staffing and projected provisioning intervals. Based on this information, Liberty concludes that FairPoint's staffing plans appear to be more than sufficient to address the provisioning of the expected order backlog. Thus, if unexpected

³ The order backlog will result from the "blackout" period of several days during cutover when the FairPoint systems will not be available to process service orders, while FairPoint and Capgemini are converting the data received from Verizon and completing other transition steps necessary for the FairPoint systems to operate. FairPoint currently estimates that the blackout period will last approximately five business days. In addition, to avoid potential processing problems during the blackout period, FairPoint has indicated that it will cease processing retail orders that are scheduled to complete within a period six days prior to the cutover date. FairPoint has requested that the CLECs voluntarily agree to an embargo on submitting wholesale orders within the same period. Given these conditions and delays in provisioning the order backlog, some customers will experience provisioning intervals extended by considerably longer than the length of the blackout period.

problems affecting the ordering and provisioning do not materialize, FairPoint may be able to improve on its current projections for the post-cutover provisioning intervals. If this occurs, FairPoint has indicated that it will communicate with its retail and wholesale customers about the availability of improved provisioning intervals. FairPoint also has contingency plans if the opposite occurs, and additional problems arise to lengthen the intervals, including such actions as further redeployment of existing employees.

6. Other Cutover Preparation Matters.

On January 6, FairPoint successfully received E911 data from Maine and transmitted this information to Intrado, the vendor FairPoint is using to maintain the Automatic Location Identification (“ALI”) database that will support E911 service in Maine after cutover. On January 9, FairPoint began the dual processing of E911 database updates on schedule in order to be prepared to transition from the Verizon to the FairPoint/Intrado management of the E911 system in Maine at cutover.

FairPoint is continuing its dry runs of the cutover process to assure that it proceeds efficiently. In addition, FairPoint is continuing to refine its cutover project plan and the roles and responsibilities of the Cutover Mission Control Center (“CMCC”), which will operate out of Manchester, NH, and will coordinate and track all the activities during cutover.

Summary

Overall FairPoint appears to be on track to achieve a relatively successful cutover beginning on January 30. In particular, the following issues that were the subject of concern in November are proceeding satisfactorily:

- Documentation of key business processes
- Training
- Data extract and conversion testing
- Plans for temporary staffing.

On the other hand, DUF testing is still in progress and may not be complete by cutover. Some other wholesale issues also remain open. Nevertheless, Liberty notes that if these issues remain open at cutover, they will have limited overall impact, although definitely of concern for those customers affected.

As Liberty has noted in the past, it is likely that material unexpected issues will arise during cutover. However, Liberty believes that FairPoint’s preparations overall are adequate to reduce the likelihood that these issues will be serious ones.